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Iberian Peninsula (Spain and Portugal)

Food-processing Ingredients Sector

Annual

2006

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U.S. Embassy

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Report Highlights:
The Iberian Peninsula food-processing sector is one of the most vibrant within the European Union. U.S. exporters of food ingredients may find trade opportunities in this market; however, market access requirements can be complicated and at times prohibitive. (MG80LR2SH2)

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Madrid [SP1]
[SP]

INDEX

I. MARKET SUMMARY

SPAIN

Economic Trends

	2001	2002	2003	2004	2005(2)	2006(3)
ECONOMIC TRENDS						
Inflation (%)	2.7	4.1	2.6	3.2	3.2	3.2
Unemployment (%)	13.1	12.4	11.7	11.0	10.5	9.8
GDP at Market Prices (%)	2.6	2.1	2.4	3.1	3.3	3.2
GDP per Capita ($ Million)	19,691	20,227	21,271	23,644	23,928	26,091
AGRICULTURAL PRODUCTS IMPORTS ($ Million) (1)						
Total Agricultural, Fish and Forestry Products	16,810	18,327	22,284	24,870	32,841	37,665
Total U.S. Agricultural, Fish and Forestry Products	1,128	1,132	1,310	1,301	1,485	1,573
Total Food Products	14,564	15,960	19,433	22,041	29,403	33,957
Total U.S. Food Products	875	899	1,050	1,049	1,232	1,322
Major Competitors:						
EU	8,260	9,121	11,294	13,226	14,258	15,465
France	2,472	2,704	3,357	3,690	4,006	4,300
United Kingdom	1,167	1,178	1,563	1,663	1,799	1,925
Netherlands	1,055	1,173	1,387	1,531	1,646	1,755
Germany	959	1,038	1,299	1,442	1,561	1,678
Other EU	2,607	3,028	3,688	4,900	5,250	5,828
Argentina	976	1,062	1,287	1,410	1,518	1,619
Brazil	656	607	905	1,134	1,203	1,332
Total Fish and Seafood Products	3,658	3,763	4,620	4,790	5,383	5,779
Total U.S. Fish and Seafood Products	71	62	80	83	85	88
Major Competitors:						
EU	1,383	1,561	1,807	2,005	2,292	2,503
France	278	307	394	419	499	553
United Kingdom	215	241	277	295	335	361
Netherlands	207	232	244	291	316	341
Denmark	160	177	217	225	262	286
Other EU	523	604	675	775	880	964
Morocco	281	314	370	374	429	461
Argentina	408	306	445	356	372	371

(1) GTA
FAS/Iberia (2) 2005 Estimates and (3) 2006 Forecasts using historical data and FAS/Iberia input, unless otherwise identified.

PORTUGAL

Economic Trends

	2001	2002	2003	2004	2005(2)	2006(3)
ECONOMIC TRENDS						
Inflation (%)	4.4	3.6	3.3	2.4	2.1	2.1
Unemployment (%)	4.1	5.1	6.4	6.7	7.5	7.8
GDP at Market Prices (%)	1.8	0.5	-1.2	0.8	0.5	0.5
GDP per Capita ($ Million)	15,138	15,740	15,863	16,387	16,709	17,105
AGRICULTURAL PRODUCTS IMPORTS ($ Million) (1)						
Total Agricultural, Fish and Forestry Products	5,495	5,704	6,677	7,467	7,799	8,056
Total U.S. Agricultural, Fish and Forestry Products	244	275	292	289	335	338
Total Food Products	4,699	4,927	5,874	6,558	6,914	6,995
Total U.S. Food Products	202	233	241	234	256	268
Major Competitors:						
EU	3,281	3,498	4,331	4,805	5,158	5,229
Spain	1,733	1,778	2,307	2,468	2,666	2,701
France	592	576	679	728	750	756
Germany	264	291	341	394	418	424
Netherlands	177	239	306	375	435	446
Other EU	515	613	699	840	903	918
Brazil	200	203	239	365	362	369
Argentina	139	130	176	173	186	187
Total Fish and Seafood Products	913	921	1,065	1,183	1,278	1,350
Total U.S. Fish and Seafood Products	36	27	28	41	44	46
Major Competitors:						
EU	464	536	689	797	1,087	1,087
Spain	307	325	444	455	598	598
Sweden	12	22	34	90	151	223
Denmark	43	67	62	77	102	102
Netherlands	28	36	48	66	103	103
Other EU	74	86	101	109	138	138
Russia	65	61	83	101	126	146
Norway	107	89	57	56	58	58

(1) GTA
FAS/Iberia (2) 2005 Estimates and (3) 2006 Forecasts using historical data and FAS/Iberia input, unless otherwise identified.

The Iberian Peninsula food-processing sector modernized and expanded significantly during the last couple of decades. With integration into the European Union in 1986, the Iberian Peninsula food-processing sector began a profound modernization in order to adapt to new EU requirements. Spain and Portugal now have some of the most competitive food processing industries in Europe, which makes this sector an important target for U.S. food-ingredient exporters.

The Iberian Peninsula food-processing sector in summary:

- Modern, with special attention to the quality, safety, and traceability of the food products it produces.

In Spain this sector:

- Generates just under 20 percent of Spain's total industrial production, accounting for just over eight percent of the national gross domestic product and providing almost 450,000 jobs;
- Is comprised of mostly small companies--about 97 percent of the 32,585 food processors employ less than 50 people; 820 employ between 50 and 200 people; 185 employ between 200 and 500 people; and only 67 food processors employ more than 500 people; and,
- Produces an estimated € 65 billion in product, of which € 13 billion is exported.

In Portugal the food-processing sector:

- Generates about 16 percent of Portugal's total industrial production, accounting for about nine percent of the national gross domestic product and providing an estimated 110,000 jobs;
- Is dominated by even smaller companies—only 11 percent of the 8,500 food processors employ more than 20 people, accounting for about 2/3 of the sector manpower and about 85 percent of the € 12.5 billion in product produced. Just over €1 billion of the final product is exported.

The Iberian Peninsula Food-processing Sector 2004

	Spain	Portugal
Total Production (Million €)	65,075	12,500
Total No. Of Food Processors	32,586	8,500
Labor Force	430,275	110,000
Total Exports (Million €)	13,108	1,625

Source: Spain - FIAB – Spanish Food Industry Federation
Portugal - FIPA – Portuguese Food Industry Federation

Current market developments affecting the food-processing sector include:

- Changes in demographics and working patterns are shifting demand to more convenient and ready-to-eat foods. Due to higher income, people are eating out more often.

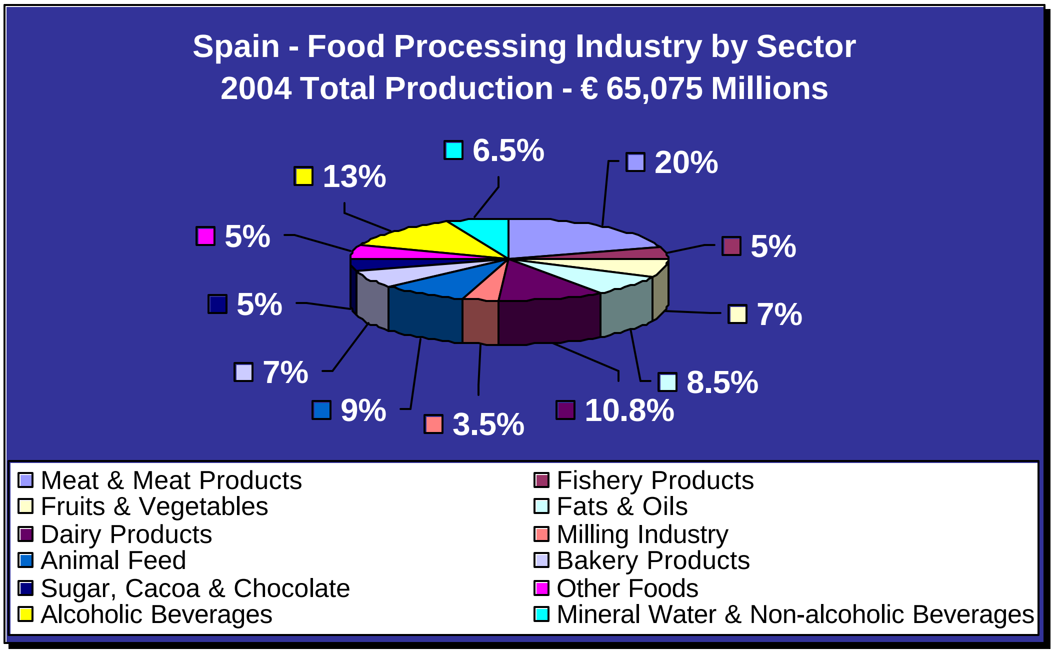
- New, demanding labeling and traceability requirements are forcing consolidation of all levels of the food chain, from farm to fork.

- Consumers have become more health conscious: problems concerning food safety are widely publicized and usually receive immediate attention from government agencies.

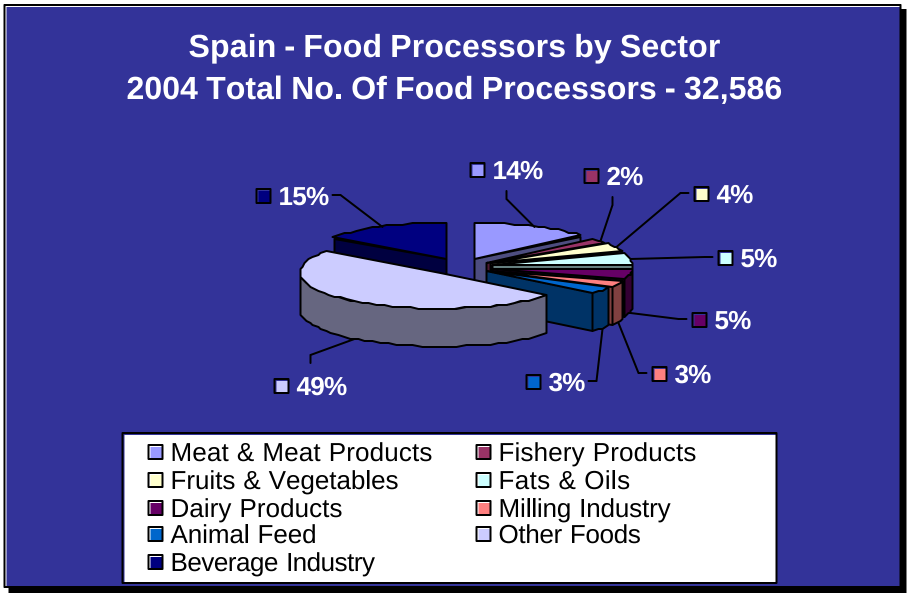
Spain Total Food Consumption Expenditures
(Billion Euros)

	2000	2001	2002	2003	2004	2005 (1)	2006 (2)
Home	40.7	44.8	48.5	50.7	54.2	58	62
Hotel & Restaurants	14.5	15.5	16.5	17.5	19.2	22	25
Institutions	1.1	1.1	1.2	1.2	1.3	1.4	1.4
Total	56.5	61.4	66.2	69.4	74.8	86	93
% Increase	6.8	8.6	7.8	4.8	7.7	8.0	8.5

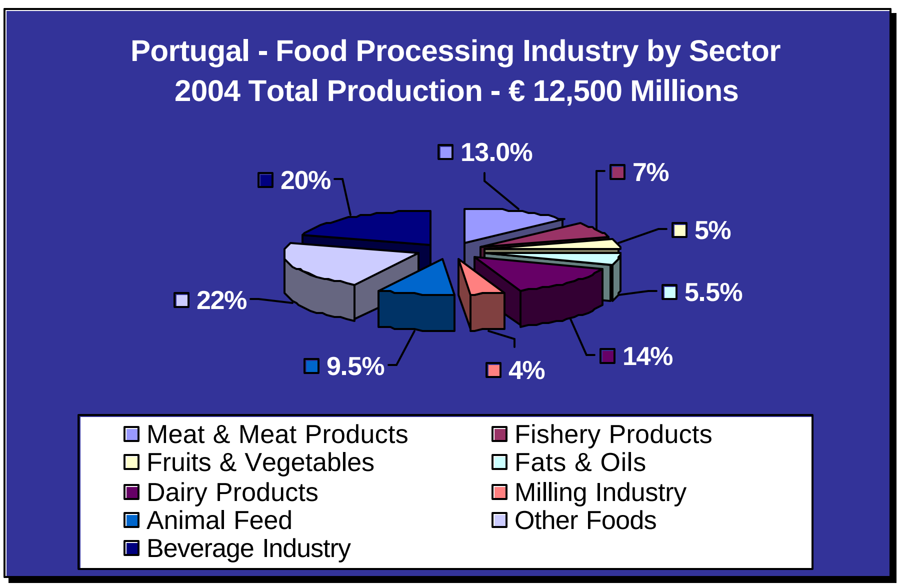
Source: MAPA
FAS/Iberia (1) 2005 Estimates and (2) 2006 Forecasts using historical data and FAS/Iberia input, unless otherwise identified.



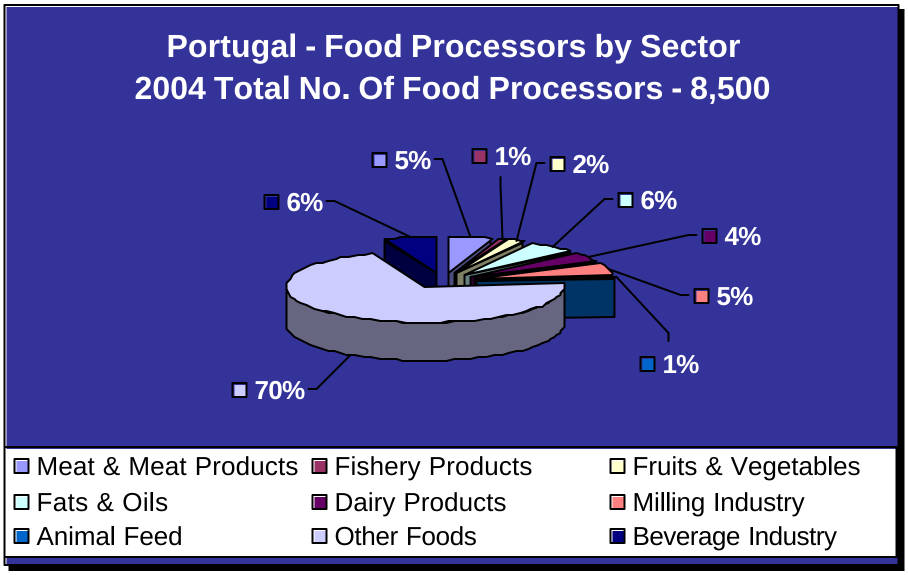
Source: FIAB



Source: FIAB



Source: FIPA



Source: FIPA

ADVANTAGES AND CHALLENGES FACING U.S. PRODUCTS IN THE IBERIAN PENINSULA

Advantages	Challenges
The dynamic IP food-processing sector will continue to grow, creating increased demand for food ingredients.	Food imported from third countries, including the U.S., must comply with EU food law, which varies considerably from U.S. regulation and practice.
Food products in the market are becoming more diversified.	Competition from neighboring EU countries, where tastes and traditional products may be well known.
Good network of agents and importers to help get product into the market.	EU labeling, traceability, and packaging laws and a reluctance to purchase products containing genetically modified ingredients.
Overall sales of consumer-ready food products continue to expand.	U.S. exports face higher transportation costs and difficulties in shipping mixed or smaller container loads.
Consumers are more health conscious, and tastes are becoming more diversified.	High marketing costs (advertising, discounts, etc.) are necessary.

II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

Success in introducing products in the Iberian Peninsula market requires local representation and personal contact. A local representative can provide up-to-date market intelligence, guidance on business practices and trade related laws, sales contact with existing and potential buyers, and market development expertise. The Offices of Agricultural Affairs in Madrid and Lisbon maintain listings of potential importers and are developing sector-specific information to help you introduce your product in the IP market.

We are also developing a series of product-specific market access reports that are/will be available to U.S. exporters (please see SP5037 and SP6002). Spain and Portugal generally apply EC rules and regulations. However, there are subtleties that you should learn about if you are thinking of exporting to the IP market. For more information, we invite potential U.S. exporters to contact us for additional, unpublished sector-specific information.

In general terms, U.S. exporters already exporting to other EU Members will likely be meeting most of the requirements for exporting into the IP. The U.S. exporter needs to make contact with an IP importer and/or distributor for his product.

Typically, IP food processors buy their food ingredients from importers or wholesalers. Some large companies buy directly from foreign suppliers. Around 20 percent of the IP food production is sold to export markets, mainly to the EU. Some food-processing companies concentrate on the domestic or on export markets, but most of them will have mixed customers. Companies supplying mainly the domestic market frequently market their products directly and have their own logistics infrastructure. However, their customers will vary from wholesalers to buying groups and retailers. Companies producing for the export market may have their own marketing office overseas, local agents or may work with local importers.

U.S. processed food exporters now face even greater challenges in the IP market, because of the new EC labeling and traceability regulations. Any product that contains genetically modified ingredients must be labeled so that the consumer can distinguish the product. Because, IP consumers don't yet have familiarity with genetically modified foods, food processors, retailers and the HRI sector are reluctant to purchase these processed products or food ingredients for processing.

The following documents are required for ocean or air cargo shipments of foodstuffs to Spain and Portugal:

Bill of Lading and/or Airway Bill

Commercial Invoice

Phytosanitary Certificate and/or Health Certificate when applicable

> If your product is or contains plant or animal products, it will require a phytosanitary or health certificate issued by the competent U.S. authority. Also, if you are exporting animal products, your production plant has to be approved to export into the EU.

Import Certificate

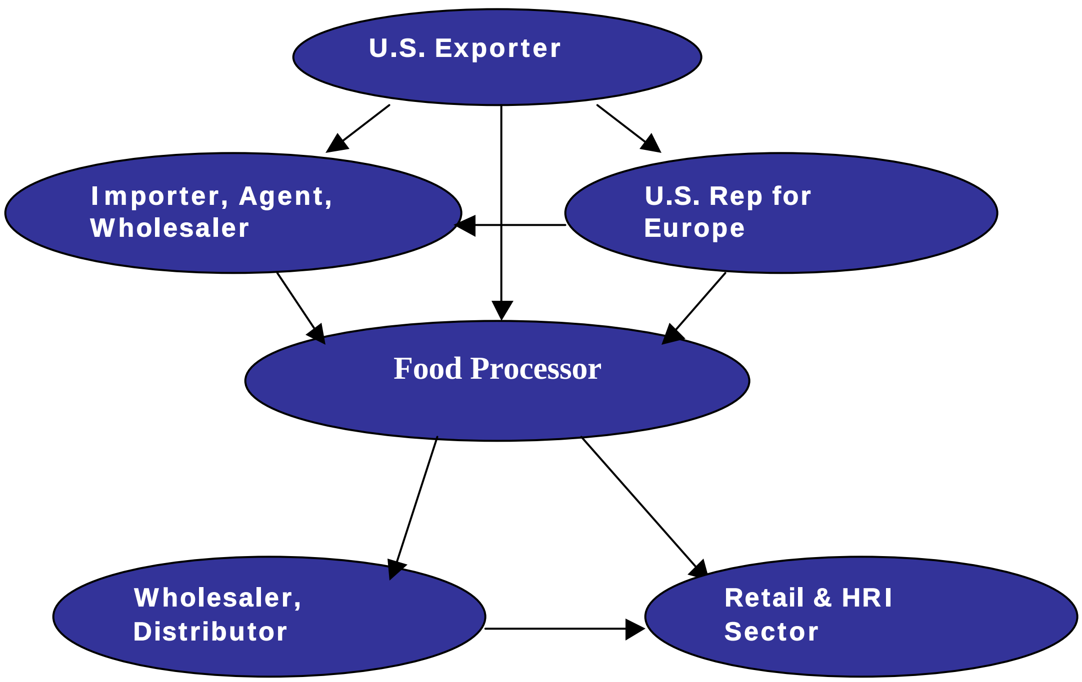
> Most food products require an Import Certificate issued by the competent Spanish or Portuguese authority. However, the Import Certificate is obtained by the Spanish or Portuguese importer and/or the agent involved in the business and is intended for tariff classification purposes.

For more information on import and inspection procedures please see SP5020 at http://www.fas.usda.gov/gainfiles/200507/146130239.doc and PO5014 at http://www.fas.usda.gov/gainfiles/200507/146130240.doc.

These reports should be read in conjunction with the equivalent report done by the FAS Office in the U.S. Mission to the European Commission (USEU), E34054 at http://www.fas.usda.gov/gainfiles/200408/146107373.doc.

Also, please check the U.S. Mission to the European Union webpage at http://www.useu.be/agri/expguide.html, which will guide you on exporting into the EU. For an overview of the EU Food-processing Sector, please check the U.S. Mission to the European Union sector report E35067 at http://www.fas.usda.gov/gainfiles/200504/146119335.doc.

B. Market Structure



C. Company Profiles

The Iberian Peninsula food processing has a wide range of food-processing sectors, many of them importing food ingredients.

Spain – Main Companies Operating in the Food-processing Industry – 2004

Subsector	Company	Sales (Million €)	End-Use Channels	Procurement Channels
Beverage Industry	Coca-Cola	2,500	Retail & HRI	Importers, Direct
Other Foods	Ebro Puleva	2,071	Retail & HRI	Importers, Direct
Dairy Products, Other Foods				
and Beverage Industry	Nestle España	1,923	Retail & HRI	Importers, Direct
Dairy Products	Danone	1,115	Retail & HRI	Importers, Direct
Fats & Oils and Other Foods	Grupo SOS	1,026	Retail & HRI	Importers, Direct
Beverage Industry	Grupo Heineken	984	Retail & HRI	Importers, Direct
Meat Products	Campofrío Alimentación	984	Retail & HRI	Importers, Direct
Fishery Products and				
Fruits & Vegetables	Pescanova	933	Retail & HRI	Importers, Direct
Other Foods, Dairy Products	Unilever España	886	Retail & HRI	Importers, Direct
Dairy Products and				
Beverage Industry	Grupo Leche Pascual	850	Retail & HRI	Importers, Direct

Source: Expansion

Portugal – Main Companies Operating in the Food-processing Industry - 2004

Subsector	Company	Sales (Million €)	End-Use Channels	Procurement Channels
Milling Industry &				
Other Foods	CEREALIS	N/A	Retail & HRI	Direct / Importers
Beverage Industry	COCA-COLA	N/A	Retail & HRI	Direct
Beverage Industry and				
Fruits & Vegetables	COMPAL, SA	11,126	Retail & HRI	Importers, Direct
Dairy Products	DANONE	N/A	Retail & HRI	Importers, Direct
Dairy Products	LACTOGAL	681	Retail & HRI	Importers, Direct
Other Foods	MATUTANO	N/A	Retail & HRI	Importers, Direct
Dairy Products, Other Foods				
and Beverage Industry	NESTLE, SA	650	Retail & HRI	Importers, Direct
Fats & Oils	NUTRINVESTE, SA	616	Retail & HRI	Importers, Direct
Beverage Industry and				
Other Foods	SCHWEPPES	N/A	Retail & HRI	Importers, Direct
Beverage Industry	SUMOLIS	160	Retail & HRI	Importers, Direct
Other Foods, Dairy Products	UNILEVER BESTFOODS	N/A	Retail & HRI	Importers, Direct
and Fats & Oils	PORTUGAL			

Source: FIPA

III. BEST PRODUCT PROSPECTS

Tree Nuts, particularly almonds and walnuts
Sunflower seeds,
Fish and Seafood, fresh and frozen
Pulses

IV. POST CONTACT AND OTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Iberian Peninsula, please contact the Office of Agricultural Affairs in Madrid or Lisbon at the following address:

Foreign Agricultural Service
American Embassy, Madrid
PSC 61, Box 20
APO AE 09642
Tel. 34-91 587 2555
Fax: 34-91 587 2556
Email: AgIberia@usda.gov
http://www.embusa.es/

American Embassy, Madrid
C/ Serrano, 75
28006 Madrid
Spain

or

Foreign Agricultural Service
American Embassy, Lisbon
PSC 83, Box FAS
APO AE 09726
Tel. 351-217702358
Fax: 351-217269721
Email: AgIberia@usda.gov
http://www.american-embassy.pt/

American Embassy, Lisbon
Av. Das Forças Armadas
1600-081 Lisbon
Portugal

For detailed information on the EU Food-processing Industry, please consult the report E35067 at http://www.fas.usda.gov/gainfiles/200504/146119335.doc.

Please consult our home page for more information on exporting U.S. food products to the Iberian Peninsula, including:

Spain

The Exporter Guide, SP5032 at http://www.fas.usda.gov/gainfiles/200509/146131076.doc;

The Retail Food Sector, at http://www.fas.usda.gov/gainfiles/200511/146131609.doc;

The HRI Sector, SP6008 at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Portugal

The Exporter Guide, PO5020 at http://www.fas.usda.gov/gainfiles/200509/146131067.doc;

The Retail Food Sector, PO5024 at http://www.fas.usda.gov/gainfiles/200511/146131460.doc;

The HRI Sector, PO6003 at http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Importer lists are also available from our office to exporters of U.S. food products. A list of trade associations and useful government agencies is provided below:

SPAIN

Trade Associations

FIAB- Federación de Industrias de Alimentación y Bebidas
(Spanish Federation of Food and Beverage Industries)

Diego de León, 44
28006 Madrid
Tel: 34 – 91 411 7211
Fax: 34 – 91 411 7344
www.fiab.es
fiab@fiab.es

FEHR – Federación Española de Hostelería
(Spanish Federation for HRIs Sector)
Camino de las Huertas, 18, 1ª
28223 Pozuelo de Alarcón
Tel: 34- 91 352 9156
Fax: 34- 91 352 9026
www.fehr.es
fehr@fehr.es

ASEDAS – Asociación Española de Distribuidores, Autoservicios y Supermercados
(Spanish Association for Distributors and Supermarkets)

Cedaceros, 11, 2 Despacho
28014 Madrid
Tel: 34- 91 429 8956
Fax: 34- 91
www.asedas.es
info@asedas.org

ANGED – Asociación Nacional de Grandes y Medianas Empresas de Distribución
(National Association of Midsize and Large Distributors)

Velazquez, 24
29006 Madrid
Tel: 34- 91 522 3004
Fax: 34 –91 522 6125
www.anged.es
anged@anged.es

Government Agencies

Imported Foodstuffs, Infections and Compound Residues, Health Certification, Port Inspection and EU Alerts
Subdireccion General de Sanidad Exterior
Ministerio de Sanidad y Consumo
Paseo del Prado, 18 y 20
28014 Madrid
Phone: (34-91) 596-2038
Fax: (34-91) 596-2047
http://www.msc.es/Diseno/informacionProfesional/profesional_sanidad_exterior.htm
E-mail : saniext@msc.es

AGENCIA ESPAÑOLA DE SEGURIDAD ALIMENTARIA (AESA)
Spanish Food Safety Agency
Alcalá, 56
28071 Madrid

Fax: (34-91) 338-0375
http://www.aesa.msc.es/aesa/web/AESA.jsp
E-mail: comunicacionaes@msc.es

Dirección General de la Industria Agroalimentaria y Alimentación
Ministerio de Agricultura, Pesca y Alimentación
Ministry of Agriculture, Fisheries and Food
Paseo de Infanta Isabel, 1
28014 Madrid
Tel: 34-91 347 5361
Fax: 34 – 91 347 5770
http://www.mapya.es/es/alimentacion/alimentacion.htm

PORTUGAL

Trade Associations

APED-Associação Portuguesa de Empresas de Distribuição
(Portuguese Association of Distribution Companies)

Campo Grande, 285-5º
1700-096 Lisboa
Tel: 351-21-751-0920
Fax: 351-21-757-1952
www.aped.pt
ARESP-Associação da Restauração e Similares de Portugal
(Portuguese Associations for HRIs Sector)

Av. Duque d'Avila, 75
1000 Lisboa
Tel. 351-21-352-7060
Fax: 351-21-354-9428
Email: aresp@aresp.pt
www.aresp.pt

FIPA-Federação das Indústrias Portuguesas Agro-Alimentares
(Federation of the Agro-Food Portuguese Industries)

Av. António José de Almeida, 7-2º
1000-042 Lisboa
Tel: 351-21-793-8679
Fax: 351-21-793-8537
Email: info@fipa.pt
www.fipa.pt

Government Agencies

Direcção Geral de Fiscalização e Controlo da Qualidade Alimentar
(General Directorate for Control of Food Quality)
Av. Conde Valbom, 96
1050 LISBOA
Tel. 351-21-798-3600
Fax: 351-21-798-3834

Email: direccao@dgfcqa.min-agricultura.pt
www.dgfcaq.min-agricultura.pt

Direcção Geral da Alfandega e Dos Impostos Especiais sobre o Consumo
(General Directorate for Customs and Special Taxation on Consumption)
Rua da Alfandega, No. 5 r/c
1149-006 Lisboa
Tel. 351-218813700
Fax: 351-218813990
Email: dgaiec@dgaiec.min-financas.pt
www.dgaiec.min-financas.pt

Direcção Geral da Alfandega e Dos Impostos Especiais sobre o Consumo
(General Directorate for Customs and Special Taxation on Consumption)
Direcção de Serviços do Licenciamentos **(Import Certificates)**
R. Terreiro do Trigo
Edif. Alfândega
1149-060 Lisboa
Tel. 351-218814262
Fax 351-218814261
Email: dsl@dgaiec.min-financas.pt
www.dgaiec.min-financas.pt

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page at www.fas.usda.gov.